



DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

801 K STREET, MS 19-01, SACRAMENTO, CALIFORNIA 95814 • (916) 322-4027 • WWW.CALRECYCLE.CA.GOV

April 26, 2010

Dana Jung
eWaste Center, Inc.
5788 Smithway Street
City of Commerce, CA 90040

RE: FINAL AUDIT REPORT – EWASTE CENTER, INC. (CEWID 102174)

Dear Ms. Jung:

Enclosed is the final audit report of eWaste Center, Inc., regarding the Covered Electronic Waste Recovery and Recycling Program. The audit was planned and performed to determine conformance with the regulations resulting from the Electronic Waste Recycling Act of 2003. The period of review for this audit was January 1, 2008 through December 31, 2008.

The audit disclosed the following finding:

- Overstatement of Total Costs on Net Cost Report

The response by eWaste Center, Inc. to the draft audit report on April 9, 2010, along with the evaluation of that response is included in this final report. Your response did address your corrective action for the finding. Although the response corrected the original misstatement; the response disclosed additional instances of material misstatements in eWaste Center, Inc.'s effort to submit a Net Cost Report with true and accurate data. The Covered Electronic Waste Collection Program is receiving a copy of this letter to ensure that this finding is appropriately addressed.

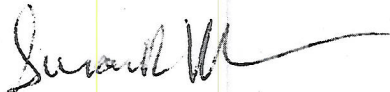
(Over)



Dana Jung
April 26, 2010
Page 2

Please contact Brandon Smith, Auditor, at (916) 324-6850 or
brandon.smith@calrecycle.ca.gov with any questions regarding this report.

Sincerely,



Susan R. Villa, Chief
Fiscal Services Branch
Administration and Finance Division

Enclosure

cc: Jeff Hunts, Manager, E-Waste Branch, CalRecycle
Brandon Smith, Auditor, Audits and Evaluations Unit, CalRecycle
✓ CalRecycle Audits and Evaluations Unit File

AN ELECTRONIC WASTE AUDIT

eWaste Center, Inc.

Electronic Waste Recovery and Recycling Account

Final Audit Report

Recycler Payment Claim: Claim 1075

**For the Period January 1, 2008
through December 31, 2008**

**Prepared By:
Department of Resources Recycling and Recovery
Audits and Evaluations Unit**

April 2010

TABLE OF CONTENTS

FINAL AUDIT REPORT

SUMMARY	1
BACKGROUND	1
OBJECTIVE, SCOPE, AND METHODOLOGY	1
CONCLUSION	2
VIEW OF RESPONSIBLE OFFICIAL	2
RESTRICTED USE	2
FINDINGS AND RECOMMENDATIONS	3
ATTACHMENT – Participant’s Response to Draft Audit Report	

FINAL AUDIT REPORT

eWaste Center, Inc. (CEWID 102174) Covered Electronic Waste Recovery and Recycling Program

SUMMARY

The Department of Resources Recycling and Recovery (CalRecycle) processed and paid a claim, in the amount of \$51,329.53, submitted by eWaste Center, Inc.; an electronic waste recycler. The payments issued by CalRecycle are funded by the Electronic Waste Recovery and Recycling Account.

Audits and Evaluations Unit auditor, Brandon Smith, reviewed records related to the appropriateness of expenditures of Electronic Waste Recovery and Recycling Account, for the period of January 1, 2008 through December 31, 2008.

BACKGROUND

eWaste Center, Inc., an approved recycler for the Electronic Waste Recovery and Recycling Program, has participated in covered electronic waste (CEW) recovery and recycling since March 10, 2005. eWaste Center, Inc. business operations and records are located at 5788 Smithway Street, in Commerce, California. eWaste Center, Inc. accepts and recycles or refurbishes all types of electronics. eWaste Center, Inc. provides five (5) opportunities for the community to recycle their electronic items through collection events, collection bins, drop off, business pick-up, and residential pick-up.

eWaste Center, Inc.'s client base consists primarily of commercial business, residents, and schools and school districts. The Net Cost Report of eWaste Center, Inc. states that 40% CEW recovery is from commercial business, 30% from residents and individuals, 20% from institutional, and 10% from other sources.

OBJECTIVE, SCOPE, AND METHODOLOGY

The audit was conducted to determine whether eWaste Center, Inc. complied with CEW reporting, recordkeeping, and payment requirements, as specified by the California Public Resources Code Section 42460, et seq., and the California Code of Regulations (CCR), Title 14, Chapter 8.2.

The audit scope included, but was not limited to, an evaluation of the integrity of electronic waste recycling claims submitted to CalRecycle for payment, and an assessment of operational and regulatory compliance by the recycler.

The audit was conducted in accordance with *Government Auditing Standards*. The standards require that the audit was planned and performed to obtain sufficient and appropriate evidence to provide a reasonable basis for the finding(s), if any, and conclusion based on the audit objective.

CONCLUSION

The audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Findings and Recommendations section of this report.

eWaste Center, Inc. overstated total costs by \$106,881.05 and reported an incorrect total for CEW Recovery on the Annual CEW Net Cost Report for 2008.

VIEW OF RESPONSIBLE OFFICIAL

CalRecycle issued a draft report on December 30, 2009. Dana Jung, Vice President, responded to the report agreeing with the findings disclosed.

RESTRICTED USE

This report is intended for the information and use of CalRecycle and eWaste Center, Inc. management. However, this report is a matter of public record and distribution is not limited.

FINDING AND RECOMMENDATION

Finding - Overstatement of Total Costs on Net Cost Report

eWaste Center, Inc. overstated total costs by \$106,881.05 and reported an incorrect total for CEW Recovery on the Annual CEW Net Cost Report for 2008.

Title 14, CCR, Section 18660.10(c)(2)(A) (B) states, "An approved collector or an approved recycler shall use the following allowable revenues and costs for use in the calculation of net costs:

(2) Costs in relation to CEW recovery or recycling including, but not limited to:

(A) The actual costs of receiving, handling, processing, storing, transferring and transporting CEWs.

(B) The actual costs of canceling CEWs."

Recommendation

eWaste Center, Inc. should establish a summary that provides a reasonable justification and clear explanation of the actual revenue and cost estimates included in the net cost report.

Participant's Response

Dana Jung agreed with the finding and provided a copy of their current Net Cost Report with supporting documentation to illustrate their corrective action.

CalRecycle's Comment

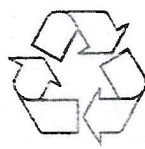
eWaste Center, Inc.'s initial finding is resolved with supporting documentation used to complete the Net Cost Report. The auditor found, however, that other material misstatements occurred with their new methodology for computing the net cost per pound for CEW recovery and recycling.

The following errors were made:

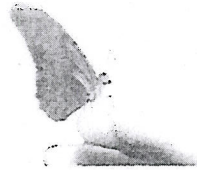
1. Inclusion of Standard Statewide CEW Recycling payments in Line 13A of Form 220
2. Inclusion of other non-CEW related sources of revenue
3. Failure to allocate costs as a percentage of total costs

This analysis was explained to Eunice Oh, of eWaste Center, Inc. Ms. Oh acknowledged and agreed with the errors that were found. As a result, the finding and recommendation remain unchanged.

The auditor has since informed Jeff Hunts, E-Waste Branch Manager, to ensure that the finding is appropriately addressed.



EWCC
eWaste Center, Inc.



Brandon Smith, Staff Services Management Auditor
California Department of Resources Recycling and Recovery (Cal Recycle)
P.O. Box 4025 MS 19A
Sacramento, CA 95812-4025

RE: Response to Covered Electronic Waste Draft Audit Report

Dear Mr. Brandon Smith:

The finding associated with the audit that started on December 8, 2009 was identified to eWaste Center, Inc as an overstatement of total costs on the 2008 Net Cost report. The total overstated costs were unexplained at the time of the audit due to the fact that the employee who prepared the Net Cost Report, was no longer employed, therefore I was unable to provide details on the methods used to identify/explain the calculations of costs and revenues.

This issue has been resolved by reviewing the 2008 Net Cost Report with current in house accountant and CPA prior to preparing the 2009 Net Cost Report. Net Cost Reports will be based on income tax reports prepared by the CPA.

If you have any questions or concerns with the resolution of the finding, please feel free to contact me by phone, (323) 837-9950, ext. 101 or by email, dana@ewastecenter.com.

Sincerely,

Dana Jung
Vice President

Enclosure

eWaste Center, Inc.

5788 Smithway St., Commerce, CA 90040 | Tel: 323-837-9950 | Fax: 323-837-9957

www.ewastecenter.com | info@ewastecenter.com

